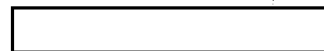


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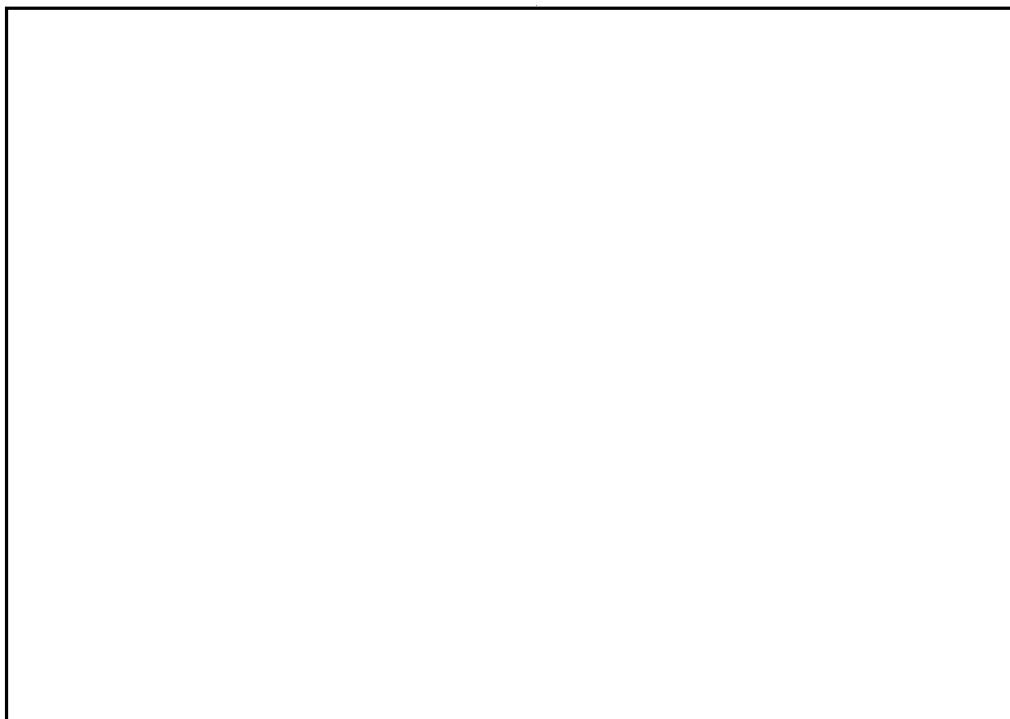
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2. BRITISH LABORITES OPPOSE GOVERNMENT'S "SWORD RATTLING"

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 A right-wing Laborite leader has informed the American embassy in London that he and a "vast majority" of Labor Party members are strongly opposed to the government's "sword rattling" on the Suez issue. He insists that any forceful action to be taken against Egypt should be "clearly in conformity with the UN charter."

The embassy recalls that in this connection, Hugh Gaitskell in his speech on 2 August also stated that any solution must be consistent with the UN charter.

Comment With the exception of the London Times and the conservative weekly Spectator, the responsible British press has deplored the government's position that force might be used if necessary.

A British poll taken between 4 and 6 August shows that only 33 percent of those questioned would favor taking military action if Egypt refuses to accept the decision of the 16 August London conference. ||

3. EGYPTIAN MILITARY MOVEMENTS IN THE SUEZ CRISIS

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After several days of apparent inactivity, Egypt has responded to the threat of British and French military intervention by partially regrouping its forces to strengthen the defense of the Suez Canal and the delta areas. While Egypt's action appears to indicate an intention to resist foreign military intervention, it is also necessary to support Cairo's assertions that it will not bow to threats of force.

Although the major part of the Egyptian forces continues to be deployed in the Sinai area, some troops and a substantial quantity of armor are reported to have been withdrawn from the peninsula and the Israeli front. An increasing amount of antiaircraft and field artillery and armor has been observed west of Cairo, in the Alexandria area, and in the Western Desert. This redeployment reflects the Egyptian belief that any attack outside the canal zone would be through the Western Desert--either overland from Libya or over the beaches west of Alexandria.

Egypt has instituted partial mobilization, and the call-up of the National Guard, the "Palestine Liberation Army," and youth battalions--comprising the newly proclaimed National Liberation Army--has been widely publicized. However, the military effectiveness of these forces is slight.

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25X1A 7. HUNGARIANS REPORTEDLY TO REHABILITATE
DEPOSED PREMIER NAGY

The Hungarian party central committee
has decided to rehabilitate former premier
Imre Nagy,

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This action will reportedly take place following Nagy's
admission that he committed certain errors during his tenure in
office.

Comment

Previously Nagy has refused to engage in
self-criticism, and the party as recently as
mid-July reiterated that he was guilty of rightist deviation.
However, the increase in power of the moderate elements among
Hungarian Communists and the removal of Nagy's primary oppo-
nent, former party first secretary Rakosi, may have opened the
way for Nagy to regain political influence by admitting some
past errors and promising to work for party unity.

Nagy is a Moscow-trained Communist who
has been active in the movement since World War I. During his
premiership from July 1953 to April 1955, he inaugurated policies
which are similar to many of those demanded by the moderate
faction today. His return to public life would be viewed by the
moderates as favorable to their efforts to speed liberalization
and should also be welcomed by the public, which looks back on
the Nagy era as the best of all past Communist regimes.

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